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**FIRST AMENDMENT
TO
AGREEMENT FOR PROFESSIONAL AUDIT SERVICES**

THIS FIRST AMENDMENT (the "First Amendment") TO AGREEMENT FOR PROFESSIONAL AUDIT SERVICES (the "Original Agreement") is made by and between the CITY OF HOUSTON, TEXAS (the "City"), a municipal corporation and home-rule city of the State of Texas, principally situated in Harris County, Texas, acting by and through its governing body, the City Council, and DELOITTE & TOUCHE LLP ("Auditor"), a Delaware registered limited liability partnership doing business in the State of Texas.

WITNESSETH

WHEREAS, pursuant to Ordinance No. 2003-0529, approved June 4, 2003, the City entered into an Agreement for professional audit services assistance (the "Original Agreement") (No. 55019) with Auditor; and

WHEREAS, Ordinance No. 2003-0529 was amended by Ordinance No. 2007-0242 (passed by City Council on February 21, 2007) and by Ordinance No. 2007-1336 (passed by City Council on November 28, 2007) to increase the maximum contract amount; and

WHEREAS, the parties now desire to amend the Original Agreement to extend the Original Agreement Contract Term.

NOW, THEREFORE, the City and Auditor agree to amend the Original Agreement as follows:

I

- 1) Section V.A. Contract Term is hereby deleted in its entirety and substituted in its place as follows:

"A. Contract Term

This Agreement is effective on the Countersignature Date of the Original Agreement and remains in effect until June 30, 2009, unless sooner terminated under this Agreement."

- 2) Nothing in Section V.C. Renewals shall be interpreted to permit any renewal of the Original Agreement beyond June 30, 2009.
- 3) Section IV.A.(a) is amended to add the following language:
 - (i) "The Maximum Fee for Basic Services for the year ended June 30, 2008 (the "2008 Maximum Fee") is estimated to be \$1,738,000. It is understood that the \$1,738,000 estimate is derived based on the assumption that the Basic Services for the year ended June 30, 2008 will be completed by the end of February 2009 and will require 11,000 hours to complete. Auditor will develop an audit plan (the "Audit Plan") with the estimated audit hours and dollars required to complete the audit, which plan will be in sufficient detail to track the actual audit hours and cost against the estimated audit hours and cost by the principal audit area/activity, as determined by Auditor, so that variances can be identified as to the audit area/activity in which they arose. Should the audit hours vary either less or more than the hours set forth in the Audit Plan, the Audit Plan will be adjusted accordingly along with the audit fee (based on blended hourly rate of \$158) as agreed upon by the Director of Finance and Auditor. Auditor and the City agree that Auditor shall not be required

to perform services in excess of 11,000 hours unless the audit fee is adjusted accordingly.

There will be no additional fees related to Basic Services or Special Services for the June 2008 audit other than as provided for herein or unless an additional engagement letter is executed by the Director and Auditor prior to such services actually being performed by Auditor. If the expected hours to complete the audit engagement exceed the audit plan, the Director or the designee of the Director will be notified.”

(ii) The Basic Services to be performed by the Auditor for the year ended June 30, 2008 pursuant to Section (III)(A) shall consist of the following:

- Audit of the Comprehensive Annual Financial Report and related Independent Auditors’ Report thereto, in addition, a separate Independent Auditors’ Report related to the annual financial statements will be issued for utilization in potential debt issuances of the City based upon the terms so noted in the Audit Agreement as follows:
 - General Obligation Bonds
 - Combined Utility System Bonds
 - Airport System Bonds
 - Convention & Entertainment Facilities Bonds
- Audit of the financial statements of the Houston Airport System, and

related Independent Auditors' Report.

- Requirements of the Texas Natural Resource Conservation Commission (TNRCC) AKA the Texas Commission on Environmental Quality (TCEQ) and Independent Accountants' Report on Applying Agreed Upon Procedures.
- Management Recommendation Letter.
- Independent Auditor's Report related to the City's calculation of the limitation on the growth of revenues and the calculation of combined revenues that would be subject to the limitation for the fiscal year end, as such limitation is defined in a proposed City Charter Amendment – Proposition No. 2 submitted to the qualified voters for the City on November 2, 2004, if such amendment were effective.
- Single Audit of Federal and State Financial Awards Programs and Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal and State Award Program and on the Schedule of Expenditures of Federal and State Awards; as well as an Independent Auditors' Report on Compliance on Internal Control Over Financial Reporting and On Compliance and Other Matters Based Upon the Audit Performed in Accordance with *Government Auditing Standards*.

Pursuant to Section (IV)(J) of the Audit Agreement, the parties mutually

agree that if the City intends to publish or otherwise reproduce any document in the Independent Auditor's Report on the City's financial statements, or otherwise make reference to the Auditor in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular or in a private placement memorandum), the City agrees that prior to making any such use of the Independent Auditor's Report, or reference to the Auditor, the City will provide the Auditor with a draft of the document to read and obtain consent from the Auditor for the inclusion or incorporation by reference of the Independent Auditor's Report, or the reference to Auditor, in such document before the document is printed and distributed.

As stated in Section (III)(A)(1) of the Audit Agreement, the Auditor's ability to express an opinion and render the Independent Auditors' Report related to such opinion, will, of course, be dependent on the facts and circumstances at the date of such Independent Auditors' Report. If, for any reason, the Auditor is unable to complete the audit or is unable to form or has not formed an opinion, the Auditor may decline to express an opinion or decline to issue an Independent Auditors' Report as a result of this engagement. If the Auditor is unable to complete the audit or if the Independent Auditors' Reports require modification, Auditor shall discuss the reasons with the Director.

4) Section VI.S. Limitation of Liability is amended to add the following language at the end of Section VI.S.:

“Notwithstanding the foregoing, Auditor and its personnel shall not be liable to the City for any claims, liabilities, or expenses arising out of any services performed by the Auditor hereunder with respect to the City’s fiscal year ended June 30, 2008 for an amount in excess of \$2,000,000”.

II

In the event of a conflict between the Original Agreement and this First Amendment, this First Amendment shall prevail.

III

All other terms and conditions of the Original Agreement, except as amended in this First Amendment, shall continue in full force and effect.

IV

This First Amendment constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior understandings, proposals, negotiations and communications, oral or written, between the parties or their representatives with respect to the subject matter hereof (other than the Original Agreement).

Signature:

IN WITNESS WHEREOF, the parties have executed this First Amendment in multiple originals, each of equal force and effect.

ATTEST / SEAL

By:

Diana Pothoff
Name: Diana Pothoff
Title: Admin Assistant

AUDITOR:

DELOITTE & TOUCHE LLP

By:

Ross T. Johnson
Name: Ross T. Johnson
Title: Director

ATTEST / SEAL

City Secretary

CITY:
CITY OF HOUSTON, TEXAS

Signed by:

Bill White

Mayor

Angela Webster

APPROVED:

Michelle Mitchell
Director, Department of Finance

COUNTERSIGNED

APPROVED AS TO FORM:

Lam N. Nguyen
Assistant City Attorney
L.D. File No. 0340300040006

City Controller

Madeline P. Appel

DATE COUNTERSIGNED

: 6-10-08